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FM AMEMBASSY LA PAZ
TO RUEHC/SECSTATE WASHDC 0686
INFO RUEHAC/AMEMBASSY ASUNCION 6120
RUEHBO/AMEMBASSY BOGOTA 3437
RUEHBR/AMEMBASSY BRASILIA 7295
RUEHBU/AMEMBASSY BUENOS AIRES 4557
RUEHCV/AMEMBASSY CARACAS 1814
RUEHPE/AMEMBASSY LIMA 1854
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RUEHMN/AMEMBASSY MONTEVIDEO 4029
RUEHNE/AMEMBASSY NEW DELHI 0062
RUEHQH/AMEMBASSY QUITO 4450
RUEHSG/AMEMBASSY SANTIAGO 9023
RHEBAAA/DEPT OF ENERGY WASHINGTON DC
RUCPDOC/DEPT OF COMMERCE WASHINGTON DC
RUEHC/DEPT OF INTERIOR WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC

UNCLAS LA PAZ 002598

SIPDIS

SENSITIVE
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STATE FOR WHA/AND LPETRONI
ENERGY FOR SDAY AND SLADISLAW
COMMERCE FOR JANGLIN
TREASURY FOR SGOOCH

E.O. 12958: N/A

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SUBJECT: GOB DELAYS SIGNING OF MUTUN CONTRACT

REF: LA PAZ 1530

¶1. (SBU) GOB officials announced September 22 that they would delay until mid-October the signing of a joint-venture contract allowing India's Jindal Steel and Power to develop Mutun, one of the world's largest iron ore deposits. The firm won the right to exploit Mutun's estimated 40 billion tons of iron ore reserves June 1, after an international bid in which it submitted the only offer (reftel).

¶2. (SBU) The announcement followed an early August postponement and weeks of fruitless negotiations. India's Honorary Consul in Bolivia (and Jindal's representative), Arvind Sharma, told Econoff September 22 that the ultimate division of profits remained unclear. He expressed hope that the GOB would agree to a 50/50 split and predicted that GOB and Jindal officials would sign a contract within the next few weeks. Company executives remained committed to the \$2.3 billion investment, Sharma said, and hoped to begin work late this year or early next.

¶3. (SBU) Comment: Industry representatives have expressed skepticism to the Embassy, noting that most companies considering such a sizeable investment would entrust contract negotiations to a technical team, rather than leaving them to diplomats, as Jindal has done. Observers have also questioned the likelihood of a 50/50 profit split, as GOB officials declared August 14 that 68 percent of profits would accrue to the state. Given recent delays and lingering uncertainties over contract terms, quick resolution seems unlikely. End comment.

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